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Report of the Ad Hoc Advisory Group on Guinea-Bissau

Summary

In response to Economic and Social Council resolution 2005/2, in which the Council extended the mandate of the Ad Hoc Advisory Group on Guinea-Bissau, the present report provides highlights of the work of the Group since its establishment in October 2002. The report also describes how the Group fulfilled its mandate, identifies some remaining tasks with an indicative timetable and concludes with an overview of the challenges facing the country. While the situation of the country remains fragile, the Group believes that, with sustained attention from the international community, progress is possible.

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I. Background

1. The present report describes the situation in Guinea-Bissau since the last report of the Ad Hoc Advisory Group on Guinea-Bissau submitted to the Economic and Social Council, on 23 December 2004. The report also provides highlights of the work of the Group since its establishment in October 2002. In so doing, it points to elements of its methods of work and the network of stakeholders that have been involved in helping the Group fulfil its mandate. The report also identifies some remaining tasks with an indicative timetable and concludes with an overview of the challenges facing the country.

2. In its resolution 2005/2, the Economic and Social Council decided to extend the mandate of the Group until its substantive session of 2005. It requested that, in its report to the Council, the Group describe (a) how it has fulfilled its mandate; and, if necessary, include (b) a discussion of the remaining tasks and a timetable for their completion; as well as (c) a discussion of the implementation of its recommendations.

3. Since the Group's last report to the Council on 23 December 2004, the date for presidential elections was set for 19 June 2005. This date was approximately six weeks later than what was envisaged by the Transition Charter. The desire of the majority of political parties to have a new voter register and the slow pace of preparations were responsible for the reasonably justified delay. To ensure constitutional correctness, the Parliament met on 5 May and extended the transitional period until elections are held. Seventeen presidential candidates are expected to compete in the elections. Following letters of appeal written to member States by the President of the Economic and Social Council, on the advice of the Ad Hoc Advisory Group on Guinea-Bissau and of the Chair of the Group of Friends of Guinea-Bissau, we were successful in helping Guinea-Bissau mobilize the funding for the electoral budget, 4.9 million euro (€), which has been largely met. Additional financing may be required if there is more than one round of elections.

II. Current situation

4. In preparation for the elections, 17 candidates expressed their desire to compete in the presidential election by seeking permission from the Supreme Court to be candidates. The Supreme Court decided to clear former Presidents Joao Bernardo Vieira and Kumba Yala to be among those eligible to be candidates. Former President Kumba Yala used the Supreme Court's declaration to inject uncertainty and tension into the process by declaring that he was still President of Guinea-Bissau. However, despite several organized protests after the declaration of former President Kumba Yala, the Group is pleased that, at the time of the writing of the report, there has not been any significant violence and the army has continued to respect the Transitional Charter. This is clearly a sign that democracy and the rule of law are starting to take hold despite the fact that the fall-out from the military uprising of 6 October 2004 continues to reverberate in Guinea-Bissau. The Group is impressed by the willingness of civil society to take a stand for peace and this augurs well for the strengthening of the democratic process in the country.

5. The international community remains extremely concerned about the continuing political instability. In response to events, the Secretary-General appointed former President Joaquim Alberto Chissano of Mozambique as his Special Envoy for Guinea-Bissau. His task, which began on 29 April 2005, is to facilitate peaceful and credible presidential elections in that country on 19 June 2005 as an important step in the transition to full restoration of constitutional order and stability. On 15 May 2005, the Secretary-General also called on all concerned parties to resist any moves that could exacerbate tensions. The Security Council has issued two statements of concern on Guinea-Bissau, the first a presidential statement on 31 March 2005 (S/PRST/2005/14), which strongly condemned any attempts to incite violence and impede ongoing efforts towards peace, stability and social and economic development and the second, a press statement by the President of the Security Council on 17 May 2005, calling on all parties to avoid the increase of tensions and further suffering of the population. At the end of an emergency session of the Community of Portuguese-Speaking Countries (CPLP) on Guinea-Bissau, a declaration was issued, calling on all parties to respect the inviolability of the Transitional Charter and stating that the normalization of political life is an essential condition for the support of the international community for the reconstruction of Guinea-Bissau.

6. Regional efforts are ongoing to defuse the tensions in the lead-up to the elections and to ensure that calm prevails. The President of Nigeria, in his capacity as Chair of the African Union (AU), the President of Niger, in his capacity as Chair of the Economic Community of West African States (ECOWAS), the President of Senegal and the Prime Minister of Guinea-Conakry visited Guinea-Bissau on 21 May 2005. The four leaders held meetings with national authorities, former President Kumba Yala and the military command. They urged all presidential candidates to avoid violence during the election campaign.

III. Highlights of the activities of the Ad Hoc Advisory Group on Guinea-Bissau in the fulfilment of its mandate

7. As the Council is aware, following debate on the report of the Secretary-General on the establishment of an ad hoc advisory group on African countries emerging from conflict (E/2002/12), the Economic and Social Council decided, in its resolution 2002/304, to establish the Ad Hoc Advisory Group on Guinea-Bissau as its first case. The Group's mandate is to examine the humanitarian and economic needs of Guinea-Bissau, review relevant programmes of support and prepare recommendations for a long-term programme of support, based on the country's development priorities through the integration of relief, rehabilitation, reconstruction and development into a comprehensive approach to peace and stability. The Group will also provide advice on how to ensure that the assistance of the international community is adequate, coherent, well-coordinated, effective and synergetic.

8. Immediately following its creation, the Group held a wide range of consultations with national stakeholders and development partners of Guinea-Bissau in New York and Washington, D.C. A mission to the country was organized in November 2002 and the Ad Hoc Advisory Group submitted its first report to the Council (E/2003/8) on 10 January 2003. Since then, the Group has met, on average,

once every three weeks and frequently consults with other stakeholders, including the United Nations Development Programme (UNDP) Resident Coordinator and the United Nations country team, the Representative of the Secretary-General, the Assistant Secretary-General in the Department of Political Affairs, the responsible officials at the International Monetary Fund (IMF) and the World Bank, the Permanent Representatives of neighbouring countries, including Cape Verde, Guinea-Conakry and Senegal, which are also members of ECOWAS, the Group of Friends of Guinea-Bissau and CPLP.

9. Since its first mission to Guinea-Bissau, the Group has also consistently maintained a dialogue with the authorities of Guinea-Bissau and has had a number of meetings with them. On 28 January 2003, the Ad Hoc Advisory Group organized a meeting at United Nations Headquarters between the Minister for Foreign Affairs of Guinea-Bissau, the Minister of Economy and Finance of Guinea-Bissau, donors and the Bretton Woods institutions. The meeting focused on the establishment of the partnership approach between the Government and the donor community. This was followed by another informal dialogue in New York, on 17 November 2003, with the interim President, Henrique Pereira Rosa, the Minister for Foreign Affairs of the Transitional Government, Joao Jose Silva Monteiro, and major development partners of the country. The meeting aimed at reassessing the social, economic and political situation in Guinea-Bissau and discussed ways of providing support for the transitional Government. The informal dialogue enabled a rich and constructive exchange of views between the transitional President, the Minister for Foreign Affairs, the Group of Friends of Guinea-Bissau, representatives of donor countries, the Executive Director for Guinea-Bissau at the World Bank, senior officials responsible for Guinea-Bissau at IMF and the World Bank, the Representative of the Secretary-General and the United Nations Resident Coordinator in Guinea-Bissau and representatives of UNDP and the Department of Political Affairs of the Secretariat.

10. Two representatives of the Group also met with the official delegation of Guinea-Bissau to the meeting of Guinea-Bissau's partners to prepare for the round table held in Lisbon, Portugal on 10 February 2005. The delegation included the Minister of Finance, the Minister of Fisheries, the Minister of Public Works, the State Secretary for the Treasury, the National Director of the Central Bank of West African States (BCEAO) and a member of Parliament, who is the Deputy President of the Commission on Commerce and Industry. The delegation reported on recent progress and the representatives of the Group discussed ways of ensuring the re-engagement of the donor community.

11. The Group is particularly pleased with the productive and valuable collaboration between the Group and the Bretton Woods institutions. Clearly, both the World Bank and IMF have a key role in conflict prevention and peacebuilding, as recognized in the discussion on the peacebuilding commission. The Group has found that both IMF and the World Bank have reacted positively to the promotion of a more flexible approach to the technical requirements expected from Guinea-Bissau in the context of its peacebuilding needs. The relationship is positive and ongoing, and representatives of both organizations attend most of the Group's meetings.

12. As the Council is aware, the Group works closely with the Security Council on the subject of Guinea-Bissau. Given that Guinea-Bissau was on the agenda of the Security Council when the Group was established, the Council had requested that its

Ad Hoc Working Group on Conflict Prevention and Resolution in Africa be invited to participate in the work of the Group. Recognizing the value of such collaboration and as part of its efforts to promote a comprehensive and multifaceted approach to peacebuilding, the Group has, since its inception, worked in close collaboration with the Ad Hoc Working Group on Conflict Prevention and Resolution in Africa, the Chair of which has been invited to all the meetings of the Ad Hoc Advisory Group on Guinea-Bissau and has participated actively in its deliberations. The President of the Economic and Social Council and the Chairman of the Ad Hoc Advisory Group were invited, in November 2003, to address the Security Council at a private meeting on the situation in Guinea-Bissau and to present the work carried out by those bodies on development support to the country.

13. Furthermore, the Group has undertaken two joint missions with the Security Council to Guinea-Bissau, in June 2003 and June 2004. The main objective of the two missions was to promote dialogue with the authorities of Guinea-Bissau with a view to promoting better understanding between the authorities and its partners. The Group took advantage of these missions to press for a broader understanding of the role of development in conflict prevention and peacebuilding and informally contributed proposals for inclusion in the Security Council's report on the missions. Brazil's membership in the Ad Hoc Advisory Group on Guinea-Bissau and in the Security Council since January 2004 has also served as an important bridge between the two, mutually reinforcing and enriching the debates in both forums on strategies to promote peace and development in Guinea-Bissau. In its latest report to the Security Council (S/2004/989), one of the main recommendations of the Ad Hoc Working Group on Conflict Prevention and Resolution in Africa was the extension, to other post-conflict situations, of the cooperation between the Security Council and the Economic and Social Council developed by the two bodies in the case of Guinea-Bissau and Burundi.

14. The Group has issued a number of statements since its establishment, typically at moments of crisis or major positive developments. The first statement was in response to the circumstances surrounding the military intervention to remove President Kumba Yala in September 2003. During this time, numerous meetings of the Group were held and a statement was issued calling on donors to consider extending emergency assistance to Guinea-Bissau to enable it to return to democratic rule and to address the deteriorating socio-economic situation. After successful legislative elections in March 2004, the Group issued a statement on 6 April in which it congratulated the people of Guinea-Bissau and called for broad donor support to Guinea-Bissau, including through contributions to the Emergency Economic Management Fund (EEMF) managed by UNDP, in order to respond to the pressing needs of the population.

15. As the Economic and Social Council may recall, another major crisis erupted on 6 October 2004 when a section of the army, primarily from the Guinea-Bissau peacekeeping contingent, mutinied over salary arrears for their service with the United Nations Mission in Liberia (UNMIL). Other grievances related to poor conditions in their barracks, corruption in the military high command and other aspects of conditions of service. During the uprising, General Verissimo Correia Seabra, Chief of Staff of the Armed Forces, and Colonel Domingos de Barros, head of human resources of the Armed Forces, were killed. On 11 October 2004, the Ad Hoc Advisory Group on Guinea-Bissau issued a statement in which it expressed deep regret over events in the country. The Group called on the international

community to continue to support Guinea-Bissau, especially with emerging budgetary support and restructuring of the armed forces. It also expressed confidence that the country is moving in the right direction.

IV. Implementation of the recommendations of the Ad Hoc Advisory Group on Guinea-Bissau

A. Short-term recommendations

16. The first report of the Advisory Group (E/2003/8) contained a series of recommendations designed to address short-term crises and provided elements for a long-term programme of support. The Economic and Social Council may recall that the Government of Guinea-Bissau was facing a severe fiscal crisis, unable to pay salaries and arrears to civil servants. It also faced a worsening of the food security situation as a result of a drought in the Sahelian region. It was reported that 90 per cent of the population ate only one meal per day and the infant mortality rate was extremely high, with as many as 1,000 children under five years of age dying per month, succumbing to malaria and respiratory illnesses. The education system at the time was effectively shut down because of non-payment of salaries to teachers, who were continually on strike.

17. In its consultations held with the United Nations country team, the Bretton Woods institutions and donors, in November 2002 in Bissau, the Group also became aware of an ongoing crisis in relations between the Government and its partners. On the economic front, donors expressed concern regarding the management of public finances and the lack of capacity in some of the key ministries. Bilateral and multilateral donors also referred to the frequent changes in the Government's ministerial team and its accompanying institutional instability. Grave concern was also expressed regarding the non-promulgation of the Constitution and the fact the President had appointed candidates to the presidency and vice-presidency of the Supreme Court, which were elected positions. Bilateral donors, in particular, made it clear that the Government needed to promote political stability, demonstrate political will to define a national vision for development and develop the capacity to implement its strategy before assistance would be forthcoming. It should be noted that 80 per cent of the State's budget is derived from official development assistance.

18. In view of the fact that the Government was unable to secure the minimum functioning of the State and in light of the reluctance of donors to assist the country, the Group made a strategic decision to focus on helping the country confront its short-term crises while creating linkages to long-term objectives within the framework of the normalization of the country's political situation and, concomitantly, of its relations with partners. In the context of this decision, the Group offered to act as a bridge between the Government of Guinea-Bissau and the donor community.

19. To address the concerns of the donor community regarding deficits in economic and political governance and to restore donor confidence, the Group recommended the establishment of a partnership in the form of a compact, based on the discussion paper submitted by the Group to President Kumba Yala on 13 November 2002. One element of the compact was that the Government of

Guinea-Bissau would agree to promote the rule of law and political stability, more specifically by promulgating the Constitution; electing the President and Vice-President of the Supreme Court; empowering the ministerial team so as to give its members a measure of stability and continuity formulating a long-term development strategy. In return, Guinea-Bissau's partners would agree to provide emergency financial support; technical assistance; capacity-building; assistance for the preparations of the 2003 and 2004 elections; and other forms of development assistance.

20. Central to the compact was the creation of a temporary trust fund, the EEMF, to address urgent short-term needs, finance essential recurrent expenditures required for the minimum functioning of the Government; provide transparency and accountability in the use of emergency assistance; provide a neutral entity to manage government resources; reduce the burden on government capacity while building capacity; and encourage donor coordination and a high degree of donor partnership with the Government and among all stakeholders.

21. Progress on the compact remained stalled for most of 2003. Following the removal of President Kumba Yala in September 2003, a number of promising developments came about. Using the partnership approach endorsed by the Economic and Social Council in its resolution 2003/1, the Group was able to generate momentum in favour of development assistance to Guinea-Bissau. The EEMF, considered to be an instrument of the partnership approach, was established by UNDP on 5 January 2004. On 26 January 2004, one of the key conditions of the compact was met with the election of the President and Vice-President of the Supreme Court.

22. The Group, in its second report (S/2004/10), called on the international community to provide electoral assistance for the credible conduct of parliamentary elections. This was done and parliamentary elections were successfully held in March 2004 and fully functioning Government under the leadership of Prime Minister Carlos Gomes is in place.

23. Since then, the Government of Guinea-Bissau has made considerable progress in restoring administrative capacity and rule-based fiscal management, one of the key aspects of the compact. Measures taken to improve financial management include centralizing all revenue in the treasury account at the BCEAO; requiring Ministry of Economy and Finance approval for all expenditure commitments; and applying public procurement regulations. Political appointees have also been replaced by experienced technicians at the head of the revenue departments. On the expenditure side, the normal framework for expenditure allocations has been restored and further improvements are expected to be put in place with technical assistance financed by UNDP, in the context of budget implementation for 2005. Legislation has also been passed sharply reducing licensing requirements for imports, exports and domestic commercial activity as well as linking fees for such requirements to actual costs. On 16 February 2005, the Office of the Public Prosecutor, which has been investigating allegations of corruption, announced that three cases of embezzlement from the State, totalling some $420,000, had been submitted to the Office of the Public Prosecutor, a demonstration of the commitment of the Government to improve economic governance.

24. The Group had also encouraged bilateral donors, the organizations of the United Nations system and others to commit on an urgent basis to funding quick-impact, income-generating projects at the community level. The citizens of Guinea-Bissau have yet to see the dividends of peace and, as long as they remain outside the reach of Government services and benefits, they are unlikely to be committed to the principles of democracy and peace. The Group is pleased to report that the United Nations country team is in the process of adding a transition strategy to its current intervention in the country, focusing on economic and social quick-impact initiatives as a part of a broader peacebuilding strategy being designed.

25. The Council may also recall that the Group had reported that the World Bank's demobilization, reinsertion and reintegration programme was part of a broader economic rehabilitation and recovery programme that had been linked to the existence of an IMF macroeconomic programme. The suspension of the IMF programme had subsequently resulted in the suspension of the Bank's demobilization, reinsertion and reintegration programme. The Group was of the view that the disruption of the programme was clearly dangerous for security and had called on the Bank to explore the possibility of de-linking peacebuilding activities from macroeconomic programmes. The Group is pleased to report that the Bank resumed disbursements for demobilization in March 2004. For budgetary reasons, IMF has been unable to provide a full-time resident representative in Guinea-Bissau, which was one of its short-term recommendations from the first report, but assistance through its West Africa Regional Technical Assistance Centre in Bamako (West AFRITAC) was stepped up considerably and efforts continue to find funding for an adviser to the Minister of Finance.

B. Long-term recommendations

26. A series of long-term recommendations were addressed to the Government of Guinea-Bissau, the donor community and the international community, including the United Nations system. These recommendations were made based on the results of a multi-stakeholder dialogue as well as a review of the common country assessment (CCA), the United Nations Development Assistance Framework (UNDAF) and the national interim poverty reduction strategy paper. These recommendations cover the spectrum of human rights, political and economic governance, rehabilitation and reconstruction of physical infrastructure, technical assistance for capacity-building, diversification of the productive sector, food security, education and health, investment, civil society and the media, gender mainstreaming, overall coherence and coordination among donors and strengthening United Nations coordination mechanisms.

27. Among the long-term recommendations was a call to the Bretton Woods institutions to ensure that flexibility and creativity are embedded in the design of macroeconomic programmes in view of the need to adapt to the complexities facing post-conflict countries. The Group is of the view that this recommendation and its call for a resumption of a programme with Guinea-Bissau contributed to the decision by the Executive Board of the IMF to renew, in principle, access to emergency post-conflict assistance (EPCA). As the IMF staff report notes, the EPCA would provide time for donors to fully re-engage, alleviate the heavy burden of debt service to the Fund, and assist the Government in strengthening administrative capacity so as to gradually demonstrate its ability to effectively implement a new

Poverty Reduction and Growth Facility (PRGF) arrangement,[1] which had been suspended in 2001. The decision was placed in the context of the spirit of an Executive Board decision in April 2004 to extend the length of EPCA-supported programmes, in total, to as long as three years and to demonstrate support for ongoing United Nations-led efforts to promote stabilization in Guinea-Bissau. The Council may recall that Guinea-Bissau had an EPCA-supported programme shortly after its civil war of 1998-1999. The IMF decided, in principle, to allow the programme to continue for up to an additional two-year period, for a total of three, albeit non-contiguous, years. The EPCA is conditional upon the emergence of a concerted international assistance effort for Guinea-Bissau, which could take place once the World Bank and the European Union (EU) decide on new budget support.

28. The Ad Hoc Advisory Group on Guinea-Bissau is also pleased to report that one of the key long-term recommendations directed to the EU, Guinea-Bissau's principal development partner, has been undertaken, namely, the re-negotiation of more favourable terms for fishing licences, which also provides for financial and technical support for controlling the country's maritime zone and assisting the Government in addressing the sustainability of its stocks. The Group acknowledges that, overall, there has not been significant progress on the implementation of its long-term recommendations. It may be recalled, however, that while the Council had called for all stakeholders to consider the recommendations made in the report, no specific ones had been endorsed in the resolution subsequently adopted. Furthermore, the uncertainty regarding the political situation has contributed significantly to a "wait and see" attitude by donors, which in turn has resulted in a lack of action on the recommendations of the Group.

C. Donor support to Guinea-Bissau

29. With regard to the second part of the mandate, which asks the Group to provide advice on how to ensure that the assistance of the international community is adequate, coherent, well-coordinated and effective and promotes synergy, the Group has undertaken a number of activities to give effect to this part of its mandate. In all its reports (E/2003/8, E/2003/95, E/2004/10, E/2004/92 and E/2005/8), the Group has provided an overview of the resources provided by the international community, including the donor community, the Bretton Woods institutions and, in a more limited way, of the United Nations system. Along with the Chair of the Group of Friends of Guinea-Bissau, the Ad Hoc Advisory Group on Guinea-Bissau has urged the international community to adequately fund national elections and emergency budgetary support as well as to fully fund the UNDP-managed EEMF designed to pay salaries and other recurrent expenditures in priority sectors (see annexes I and II). On the advice of the Group, the President of the Economic and Social Council wrote to Member States in April 2005, drawing their attention to resolution 2005/2 and underlining the urgency of providing support for Presidential elections and for the EEMF. The Group continues, in its ongoing dialogue with UNDP and the Bretton Woods institutions, to urge strong support for the preparation of the donor's round table.

[1] See http://www.imf.org/external/pubs/ft/scr/2005/cr0569.pdf.

30. Success has been limited to the funding of elections in Guinea-Bissau. While it has been acknowledged that the EEMF is an efficient and transparent mechanism for providing emergency assistance to the Government, particularly the payment of salaries for civil servants, the Group is disappointed that the mechanism was never fully funded. In 2004, it attracted only approximately 25 per cent of the resources needed to finance the fiscal gap to ensure the minimum functioning of the State. The duration of the EEMF programme, initially intended to last 12 months to cover government budgetary expenditures for 2004, was extended until June 2005 to serve as the modality to channel and coordinate contributions to the Government until the end of the transition period, once the presidential elections take place.

31. The Group continued to persist in its advocacy for Guinea-Bissau, to ensure that it at least received adequate funds to meet its short-term needs while seeking to help the country ensure the conditions to be able to secure longer-term assistance. In this connection, the Group participated actively in the meeting of Guinea-Bissau's partners to prepare for the round table, held in Lisbon on 11 February 2005. The objective of the meeting was to prepare for the full round-table conference, to be held later in 2005, and to help mobilize resources for financing the fiscal gap of 40 million United States dollars ($) in the 2005 budget. The Group made a statement in which it stressed the importance of support for security sector reform as a critical factor in promoting stability in Guinea-Bissau and called for further donations to EEMF. With regard to preparations for the donor's round table, the Group also proposed that the donor community could consider the identification of lead donors for various sectors and the possibility of coordinating meetings in the future, to ensure that there is a comprehensive, coherent and integrated programme to which all partners agree. The Group also reiterated the importance of national authorities leading this process and setting their own priorities on the basis of national needs, and encouraged all partners to align their programmes with the country's national poverty reduction plan, which will be launched later in 2005.

32. The Lisbon meeting confirmed that donors are not yet fully confident in the stability of Guinea-Bissau. Only 1 million euros (€) was committed by the Government of Portugal to the EEMF, and it is clear that donors are waiting for the dust to settle after the elections before providing non-emergency aid or agreeing on a date for the donor round table. That being said, there has been evidence of the flexibility called for in all of the Group's reports. At the Lisbon meeting, representatives of the African Development Bank (AfDB), BCEAO and the West African Economic and Monetary Union (WAEMU)[2] stated that despite their limited means, they were able to provide support for Guinea-Bissau in the context of a flexible interpretation of their financial rules. The three representatives echoed the call for a flexible interpretation of financial rules in the context of the need to assure political and economic stability in Guinea-Bissau and urged the international community not to subject Guinea-Bissau to the same conditionalities as other countries. In response, following the Lisbon meeting, the EU is preparing new budget support for 2005, an estimated €9.2 million; disbursements could start by August 2005. In the interim, the EU advanced €5 million of the €7.25 million compensation for fishing rights from June to April, to allow the payment of salaries in the sensitive period leading up to the elections. France has contributed €0.5 million to EEMF.

[2] The West African Economic and Monetary Union was the largest donor to Guinea-Bissau in 2004.

33. Since the Group's last report, there were three high-profile visits to Guinea-Bissau: by the World Bank Vice-President for Africa, Gobind Nankani, on 24 January 2005; by the World Bank's Managing Director, Shengman Zhang, on 22 February 2005; and by Mr. Koïchiro Matsuura, Director-General of UNESCO on 1 and 2 May 2005. The Group is pleased to learn that the World Bank intends to submit an interim support strategy package to its Board for a proposed $40 million credit. If approved, this credit would be devoted to energy, urban communications and community development projects in agriculture, health and education, and to direct budget support, elements of which were called for in the first report of the Group. A World Bank team also visited Bissau in May 2005 to discuss an economic recovery credit for $10 million to be disbursed by July 2005. A mission from IMF also visited the country in the first half of March to negotiate a staff-monitored programme with the national authorities. The programme could be transformed into an emergency post-conflict assistance programme, depending on final decisions by the World Bank and the EU on new budget support; if the upcoming elections indicate that present policies will be continued, a negotiating mission could take place by early September 2005. A review of developments under the staff-monitored programme is planned for the end of June, after the first round of the elections.

34. The Group has been informed by a representative of IMF that its provisional data indicates that revenue has increased recently due to improved collection efforts and supervision. Nevertheless, despite budget support and the recent advance on fishing licences provided by the EU, the budget continues to be extremely tight. Salaries have been paid for January through April with some delay but other expenditures, including for the social sectors, have had to be cut to far below minimum requirements. The current State budget financial gap for 2005 is approximately $16 million.

V. Tasks remaining

35. In light of the current difficult circumstances in Guinea-Bissau, the Group is of the view that it would be useful for the Group to remain engaged in the country to monitor the situation, particularly the close link between emergency economic needs and political instability, and to continue to work with other partners to ensure that there is a comprehensive approach that integrates peace and development. It is clear that the recent tension and instability in the country have led to the delay in the implementation of the tasks assigned to the Group and that the completion of any of these tasks is dependent on the existence of a stable political and institutional environment, for which the upcoming presidential elections are a prerequisite.

36. There are several important recommendations that the Group would like to see implemented. One of the key short-term recommendations that has not yet been implemented is a comprehensive technical assistance plan for capacity-building. The Group would also like to see efforts by the international community to address some of the long-term recommendations such as helping Guinea-Bissau formulate a comprehensive economic diversification strategy. The country has enormous potential in timber, fisheries, husbandry and agriculture, which could easily satisfy internal demand. The subsoil is rich in bauxite and phosphate, with a potential for diamond and gold mining, and oil is being explored offshore. Currently, the main source of income is derived from cashew nut exports and the licensing of fishing rights.

37. Two of the immediate tasks of the Group after the elections will be: (a) an effort to expand the donor base for Guinea-Bissau and (b) advocating for support for the donor round table, which should take place at the end of 2005. The Group believes that a number of countries could play a more significant role in the country, especially those that will benefit indirectly from the potential exploitation of the country's natural resources. In connection with this task and the preparations for the donor round table at the end of the year, the Group will continue to press for the identification of lead donors for various sectors and for coordinating meetings to ensure that there is a comprehensive, coherent and integrated programme to which all partners agree. The Group believes that the Council will be in a better position to assess the long-term recommendations of the Group when renewed broad support is provided to the country.

38. The timetable for the completion of these tasks is difficult to calculate in view of the prevailing situation. If the political situation remains stable, it would take the Group at least 10 months to fulfil its tasks, depending also on the swiftness of the disbursement of the financial international support pledged at the donor round table.

39. The Group is of the view that more attention needs to be paid to the issue of security sector reform, as it would address one of the key structural causes of conflict in Guinea-Bissau. Increased interaction on this issue between the Economic and Social Council and the Security Council could also be enhanced, within respective mandates, by joint activities such as the organization of a meeting on security sector reform of both ad hoc bodies, with the Ad Hoc Working Group on Conflict Prevention and Resolution in Africa of the Security Council addressing ways of facilitating military reform and the Ad Hoc Advisory Group on Guinea-Bissau of the Economic and Social Council addressing its socio-economic aspects.

40. The Group also believes that there is room to further expand its interaction and collaboration with regional organizations. As has been noted in previous reports, they have played an important role in the political and financial stabilization of Guinea-Bissau. However, owing to time and travel limitations, the Group did not engage in a systematic exchange of views with regional organizations, including ECOWAS and CPLP.[3] More systematic consultations with regional economic organizations, including regional financial institutions such as the African Development Bank and the Central Bank of West African States, could have further enhanced the Group's contribution. The Group also believes that more interaction with the United Nations Office for West Africa (UNOWA) could also be valuable.

VI. Conclusions

41. **Guinea-Bissau is a small country with complex problems and will continue to face enormous and painful challenges in its transition from war to peace and from a highly personalized and centralized system of governance to that of a participatory and open form of governance. Indeed, the situation can be expected to remain fragile for some time to come. With the increasing use of ethnic appeals, the danger of polarization is likely to further fragment this young democracy.**

[3] The Group did have one meeting with the Executive Director of the CPLP on 8 February 2005.

42. **The Group would again like to draw the attention of the Council to the importance of addressing the security sector. In its first report, in addition to the poor conditions of service, the Group pointed to the growing ethnic division in the military and availability of small arms. In its last two reports, the Group urged international support for a comprehensive restructuring package for the armed forces on the basis that it is crucial to preventing a relapse into conflict. The Group continues to feel strongly that the lack of progress in this area will continue to contribute to political instability and uncertainty and will deter investment and official development assistance, which are essential to the development of the country.**

43. **In addition to the problem of political instability, the inability of the country to receive a predictable and adequate amount of resources to ensure the delivery of basic services and to ensure the minimum functioning of the State has also contributed to the sense of uncertainty and insecurity. As the IMF noted in its staff report, this uncertainty in financing undermines the ability of the Government to implement its reform programme, continuing the vicious circle of low performance and declining donor assistance.**

44. **With lack of progress in economic and social spheres, and in the context of further fragmentation, any grievance can create fertile ground for further violence. It is worthwhile to note that more than 60 per cent of the population is unemployed and approximately 80 per cent of the population is living below the poverty line, living on less than $2 per day. The Group is aware that continuing instability complicates the prospects for the mobilization of development resources, but it is important for the international community to assure the people of Guinea-Bissau that they do matter.**

45. **The Group would like to draw the attention of the Council that the experience of the ad hoc advisory groups on African countries emerging from conflicts should be taken into account in the broader context of ongoing discussions within the United Nations on the Peacebuilding Commission and, more specifically, on how to structure a coherent international response to countries in crisis. Indeed, given (a) the current instability in the country and the need for sustained international support after the presidential elections, (b) the above-mentioned indicative timetable for the completion of the remaining tasks and (c) the general view among the members of the Group that Guinea-Bissau could be one of the main beneficiaries of the establishment of the Peacebuilding Commission, the Group would recommend that it continues to monitor the evolving situation until the next substantive session of the Economic and Social Council.**

Annex I

EEMF financing as of May 2005

(amounts in United States dollars)

Donor	*Amount received*
Netherlands	2 137 767.22
Sweden	938 644.23
Portugal through the CPLP	1 801 585.08
France	1 270 398.77
Brazil through the CPLP	49 258.12
Italy	663 129.97
Total	**6 860 783.39**

Annex II

Financing of the presidential elections*

Donor	*Amount received (original currency)*
European Commission	Euros 1.3 million
Netherlands	Euros 200 000
Algeria (via ECOWAS)	US$ 500 000
Portugal	Euros 350 000
China	US$ 100 000
BCEAO	CFA Francs 150 million (euros — 229 000)
West African Development Bank (BOAD)	CFA Francs 150 million (euros — 229 000)
UEMOA	CFA Francs 500 million (euros — 762 000)
UNDP	US$ 400 000

* There have been in-kind contributions from both Brazil (of computer equipment and technical assistance) and Portugal (of electoral material).